European Online Journal of Natural and Social Sciences 2015; www.european-science.com
Vol.4, No.4 pp. 664-682
ISSN 1805-3602

Whether Companies Need to be Concerned about Corporate Social Responsibility for their Financial Performance or Not? A Perspective of Agency and Stakeholder Theories

Talat Afza, Sadaf Ehsan* and Sajid Nazir
Department of Management Sciences, COMSATS Institute of Information Technology, Lahore, Pakistan
*Email: sadafehsan@ciitlahore.edu.pk

Received for publication: 20 July 2015.
Accepted for publication: 30 September 2015.

Abstract

Present study used the theoretical framework of both the Agency and Stakeholder theories in order to empirically investigate the importance of Corporate Social Responsibility (CSR) for the financial performance (FP) of firm both in the short and long run. According to the agency theory approach core motive of the company's existence is to maximize their owner's wealth and therefore spending on other stakeholders in the form of CSR is an additional cost that leads to decrease in the FP. Contrary to this, Stakeholder theory argues that firms should satisfy the social needs of various stakeholders and perform CSR as it protects the firm from negative confrontations and boycotts of their stakeholders that reduces the operating cost and boosts the financial performance. A sample of 76 Pakistani manufacturing firms listed at Karachi Stock Exchange has been used for the time period ranged from 2009-2012. A series of tests like F-test, LM-test and Hausman-test have been applied to identify optimum panel data model and Random model found to be the appropriate one. Results of Generalized Least Square Regression results revealed that CSR has a positive impact not only on the short term financial performance of Pakistani manufacturing firms but also helped them to maintain the sustainable long term financial performance.

Keywords: Corporate Social Responsibility, Financial Performance, Agency Theory, Stakeholder Theory, Random Model, Generalized Least Square Regression.

Introduction

In the contemporary stream of financial research Corporate Social Responsibility (CSR) is emerging as one of the very important issues of debate among the researchers and academicians all over the world. In the literature of CSR, we find a variety of definitions of CSR and several ways to construct it. However, one common belief that almost every definition of CSR represent is the realization of the responsibility that organizations owe towards the achievement of common good for everybody, which demands to cross the legal and economic boundaries and perform CSR activities on voluntary basis. During the last two decades, issues and questions related to various aspects of CSR appear to be the ubiquitous and professed to be more relevant to the corporations all around the world.

However, incorporation of CSR practices by firms is still a controversial topic because practicing these CSR activities require additional amount of investment. Most of the financial experts squabble that investing in CSR activities require more cost as compared to additional benefits and leads to damage the financial performance without maximizing the value creation. Additional cost of exercising CSR practices include various types of charitable donations towards the betterment of social wellbeing like health, education, livings and to cope with natural disasters,

establishing programs for the improvement of community, new procedures of recycling materials, encouraging and protecting the rights of minority employment working on different procedures for reducing environmental and other pollutions.

Among the several other issues of CSR, its relationship with the financial performance of corporations is still a big question mark. In spite of the fact that extensive work has been done in this context but all in vain due to the lack of general consensus among the researchers and developing the standards in order to answer such types of indeterminate questions.CSR and financial performance of a firm appears to be a very complex and problematic issue due to the existence of dichotomy between them as both of them are perceived as deleterious for each other. However, it's imperative for corporation to consider this subject for the survival of the fittest and to maximize their sustainability in the economic, legal and social streams. A large numbers of both the theoretical and empirical studies have been undertaken focusing several aspects of CSR and its relation with the financial performance of firms (Sun, 2012) and most of these studies found mixed results. In fact, there are certain factors that have the potential to influence the results of CSR and FP relationship like background of different industries, stage of life cycle of firms and industry, firm size, property right nature and above all time frame in which data is collected and variations in nature of data. Lack of presence of mutually agreed upon definition of CSR, measurement of CSR and what actually CSR constitute (Ortiz Martinez & Crowther, 2005).

There are two main contrary views on corporate social responsibility and firm's financial performance relation. One is the 'neo-classical economists' view according to which role of professional management in an organization is to take only those decisions which are in the best interest of their owners only(Friedman, 1970; M. Jensen, 2001). The concept of agency theory strongly advocates the neo-classical economic view of CSR (Seifert, Morris, & Bartkus, 2003). Agency theory's central point is based on the postulation that core motive of the company's existence is to maximize their owner's wealth and therefore, other stakeholders (including charitable beneficiaries) are important only in those cases when they become crucial to maximize shareholder wealth (Seifert, et al., 2003). Second is the 'Socio economic' economic view according to which CSR is a source of competitive advantage. Stakeholder theory strongly adheres to socio economic view according to which, it is the responsibility of management to consider the interests of all above mentioned classes of stakeholder while taking the various decisions of their corporations. There is definitely a potential conflict of interest between these two views as in those cases where owner's wealth maximization is the central point which is not the natural outcome of any procedure and where the management takes into account the interest of broad spectrum of stakeholders in their decision process.

Despite the fact that Corporate Social Responsibility debate has been very popular in the last two decades and extensive empirical and theoretical work has been undertaken yet, most of the research studies have focused on developed countries. Whereas, in the perspective of developing countries a dearth exits in empirical research that investigate the nature of CSR, measurement of CSR, relationship of CSR with the financial performance and the extent of doing CSR. United Nations Development Programme (2006, pp. 3) mentioned its vision about CSR for developing countries as "a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment". Unfortunately, these global challenges of CSR aspirations seem to be far behind from practical realization in the today's scenario of developing countries because of less research in CSR. Developing countries are suffering from the above mentioned issues more severely as compared to the developed world which puts more pressure on developing countries businesses to focus on CSR and contribute in the social development of their communities and countries.

Pakistan presents an interesting and ideal country to investigate the CSR and FP relationship because of various important reasons. This country is facing problems like rising inflation, terrorism, natural disasters, and industrial crises, lack of health and educational infrastructure and political, economic instability. Moreover, it is characterized by the intense business environment that creates more severe business scandals, production of substandard quality products, and violation of human rights, substandard living conditions, and labor problems like very low wage rate that is not sufficient for spending quality life and most importantly excessive child labor. Environmental pollution and water pollution is another threatening and alarming situation which is continuously increasing day by day. All these issues and problems indicate that Pakistani Government alone cannot solve these problems and fulfill the social demands in society. This situation requires much more responsible behavior, financial support and ethical business conducts from Pakistani corporations. In the light of above mentioned discussion it is really important to explore the CSR behavior of firms and their pattern of CSR expenditure in order to draw the attention of corporations, general public and policy makers towards CSR.

There are several important contributions of this study in the existing literature of CSR and FP relation. Firstly, it is done in the perspective of developing economies by using the large sample of Pakistani manufacturing firms listed on Karachi Stock Exchange. This study tries to make an attempt to represent the true picture of Pakistani firm's CSR activities by measuring the CSR variable using original accounting numbers mentioned in the annual reports of companies. Second major contribution is to monitor the impact of CSR on FP in the perspective of agency theory and stakeholder theory. There exist few studies on the relationship between CSR and FP relationship, however; upto the best knowledge of author there is almost no study that investigate CSR and FP in the perspective of agency and stakeholder theories. Thirdly, this research used both the measures of financial performance accounting measures for (short term) and market measures for (long term) in order to investigate the impact of CSR not only on the short term financial performance but also on the long term and avoid measurement conflicts. Lastly, empirical findings of this study might be helpful for other developing countries as well to construct important inferences about the CSR-led strategies for manufacturing firms.

Theoretical Background

There are two main contrary views on corporate social and firm financial performance relation. One is the 'neo-classical economists' according to which CSR investments are inconsistent with profit maximization endeavors. Friedman (1970) started this debate and argued that, to generate funds and wealth for the stockholder is the major and single core liability of the firm's management. Business management must represent the best interest of their shareholders while taking managerial decisions. Any other social and moral activities of a firm are totally unrelated to the firm's profit and interest of shareholders because these activities charges extra cost which ultimately reduces the profit margins for a firm and its shareholders. Agency theory strictly adheres to the tenets of neoclassical economics, wherein the interests of shareholders are paramount, (Fama, 1980; Fama & Jensen, 1983; M. C. Jensen & Meckling, 1976) proposed the assumptions of agency theory and explained the underlying implications for the separation of goal of interests and difference between principals (as in the case of corporate philanthropic activities and their impact on principals wealth) and agents (as in the case of corporate philanthropic activities and firm's executives being involved in taking decisions about these philanthropic activities). Agency theory central point is based on the postulation that core motive of the company's existence is to maximize their owner's wealth and therefore, other stakeholders (including charitable beneficiaries) are important only in those cases when they become crucial to maximize shareholder wealth (Seifert, et al., 2003).

Scholars from the perspective of agency theory argue that the corporate social responsibility is a way to achieve the personal benefits of firm's CEO to enhance his reputation as a socially responsible citizen that has no link with the maximization of firm's shareholders wealth (Atkinson & Galaskiewicz, 1988; Friedman, 1970). Firm's executives are involved in corporate donations, charities and take corporate philanthropic decisions in order to improve their social image among the society, enhance the personal image or prestige (Galaskiewicz, 1997). Agency theory warns against the impending opportunism on the part of business leaders who may be neglecting their responsibilities as agents for shareholders by spending the shareholders' accumulated money for their personal interest (Haley, 1991). As relationship between firm's management and its shareholders is secured under a legal contract that is maintained by the mutual coordination of both the parties (Yamak & Süer, 2005). If firms are involved in CSR activities without achieving the consent of their shareholders then CSR create ambiguity which ultimately leads to agency problem through which profit reduction may occur. As shareholder of firms are more interested in their receiving their profits in the form of higher dividends rather than using firm's profit for CSR expenditure. Therefore, in the light of existing empirical studies in the perspective of neo economic view and agency theory, this study establishes the following hypothesis:

Hypothesis 1. *There is a negative impact of Corporate Social Responsibility on the financial performance under the perspective of agency theory.*

According to 'Socio economic' view CSR is a source of competitive advantage. They argue that CSR has become the efficient and successful instrument in marketing and a positive business strategy that helps the companies to achieve and maintain competitive edge over their competitors and therefore, also in improving their profit margins as well (Drumwright, 1994; Maignan, Ferrell, & Hult, 2001). Companies should move from ''doing well'' to ''doing better'' and now they need ''doing best'' in order to survive in this highly competitive environment. For doing best they need to establish the strategies and perform their activities beyond the financial interest and need to realize their societal and moral responsibilities (Stroup & Neubert, 1987). Stakeholder theory is in line with the socio economic view of CSR. As corporations has transcended their concept about CSR just from merely showing their social interests towards the practical performance of CSR and being sensitive to internal and external constituent of business environment. These internal and external constituents of business environment are the various stakeholders of organizations who have the potential of either increase or decrease the performance of firms. Since from 1980's stakeholder theory concept not only started to affect the corporate governance models of developed economies like Britain and America but also changed the way of corporation's management(Chen & Wang, 2011; Zhang, 2008).

In the perspective of stakeholder theory Freeman (1984, p. 25-26) argued that responsibility of the organization's management now goes beyond the profitability and they must consider the social affairs in their decisions because firm's responsibility is not only to satisfy the shareholders but to consider and satisfy all types of stakeholders as well. Stakeholders like societal groups, consumers, suppliers, socially conscious share holders, regulatory authorities and Governments are important for firms because they have the potential to emphasized and induced organizations to be socially responsible. Therefore, if organizations want to operate in a smooth environment without the negative confrontations or boycotts of stakeholders then they have to realize their social responsibilities and consider the interest of their stakeholder while making important strategies (Seifert, et al., 2003).

Satisfying the needs of stakeholders through various activities of CSR also reduces certain types of costs like employee turnover cost which also reduces the recruitment procedure and training cost of employees(Jamali, 2008). Lower supplier cost as socially sensitive suppliers guarantee the supply of quality raw material at lower cost. Reduction in legal suits cost from various stakeholders like customers, suppliers and environmental advocates. Moreover, CSR develops the supportive communities for organizations that further protect them from potential overhead cost of public relations. Finally, due to the increase trend of socially responsible investment, CSR also help to retain the socially responsible investors which reduce the stock market volatility cost (McVea & Freeman, 2005). Thus, firms can reduce their various types of costs by satisfying the various needs of their stakeholders through CSR which will automatically bring improvement in their revenues and this establish the positive relationship between CSR and firm's financial performance. Firms should perform CSR as it protects the firm from various issues of various stakeholders which reduces the cost and boosts the financial performance. Therefore, the nature of association between CSR and financial outcomes is positive and CSR matters for the improvement of financial performance of corporations (Barnett & Salomon, 2006; Schnietz & Epstein, 2005). Therefore, in the light of existing empirical studies in the perspective of socio economic view and stakeholder theory, this study establishes the following hypothesis:

Hypothesis 2. *There is a positive impact of Corporate Social Responsibility on the financial performance of firms under the perspective of stakeholder theory.*

Measure of financial performance is one of the main reasons for producing inconclusive results regarding the relationship between CSR and FP. Measurement of financial performance has been done in two basic ways accounting based and market based. One class of researchers preferred accounting based measure (Brine, Brown, & Hackett, 2007; Ngwakwe, 2009) whereas, the other class choose market based measure (Fiori, Di Donato, & Izzo, 2007; Montabon, Sroufe, & Narasimhan, 2007) of financial performance and yet third class of researchers adopted both measures (like Orlitzky, Schmidt, & Rynes, 2003) and all of these studies produced different results. Both calculations of financial performance have certain advantages and disadvantages which lead to incomparable results. Roberts & Dowling (2002) stated that accounting based measures of firm financial performance are absolute measures, as they represent the firm's efficiency to generate profit while using their assets and equity (Kang, Lee, & Huh, 2010). Accounting based measures of performance were actually the financial measures of performance (Griffin & Mahon, 1997). However, there are certain disadvantages of this measure as well. The major drawback of accounting measure of financial performance is that it only considers the historical performance of firms in which the chances of certain manipulations from the managers might exist that leads the incomparable results (Luo & Bhattacharya, 2006; Scholtens, 2008). Some of the researchers also argue that accounting measures reflect only the short term financial performance of the firms and are incapable of reflecting the long term performance of firms (Kang, et al., 2010; Lin, Yang, & Liou, 2009).

In order to deal with the above mentioned shortcomings of accounting based measures of financial performance market based measures of financial performance introduced that can be used for measuring the financial performance of firms. Market measures have the potential to predict the future financial performance and economic growth instead of the past financial performance. One more specialty of this type of measure is its less dependence on the firm's managerial manipulations and variations in results created by different accounting procedures. Large bodies of existing studies supported the market based measures as that reflect the long term performance of a firm (Kang, et

al., 2010; Luo & Bhattacharya, 2006). However, despite of the fact that market measures overcome these drawbacks but it does not mean that it is the perfect solution and free from any problem. Market measures are more dependent on the perceptions of firm's investor's perception that might not be considered sufficient to fully gauge the economic or financial performance (McGuire, Sundgren, & Schneeweis, 1988; Ullmann, 1985).

Hypothesis 3. *There is a positive impact of Corporate Social Responsibility on the short term (accounting) measures of financial performance of firms.*

Hypothesis 4. *There is a positive (negative) impact of Corporate Social Responsibility on the long term (market) measures of financial performance of firms.*

Research Methodology

Sample and Data

In order to investigate the impact of corporate social responsibility on financial performance in the context of Pakistan, present study initially selected 122 non-financial firms from the six manufacturing sectors listed at Karachi Stock Exchange. Balanced panel data has been used in this study for the time period 2009 to 2012. Manufacturing sector is one of the leading and third largest sectors in Pakistan which accounts for 18.5 percent of Gross Domestic Product (GDP), and 13 percent of total employment (Economic Survey of Pakistan 2009-10, pp. 39). The main reason for selecting manufacturing sector is that it is involved in the production of goods, deals with machines and different types of hazardous materials which require more sensitive health and safety precautions for labor force (Brammer, Brooks, & Pavelin, 2006). In addition, manufacturing sector is contributing more in polluting the environment through its toxic and hazardous wastes that result in unfavorable organizational image among community that cause various CSR issues.

Table 1: Selected Manufacturing Firms

	Sectors	Total Firms	Selected Firms
1.	Chemical	35	21
2.	Construction and Material	37	21
3.	Pharma and Biotech	9	7
4.	Automobile	19	13
5.	Oil and Gas	12	9
6.	Industrial Metal and Mining	10	5
	Total	**122**	**76**

Among manufacturing sector, six main industrial sectors i.e. chemical, automobile, Oil and Gas, industrial metal and mining, pharma and bio-tech, construction and material have been studied in this research. The plausible justification to choose these sectors is: Chemical sector is found to be highly producing toxic airborne and solid hazardous wastes (Griffin & Mahon, 1997) causes' water and air pollution that further harms the society as well as employees. Pharma and biotech sector is also involved in the treatment of various types of chemicals and medicines which are risky for environment and people. Automobiles are not only one of the major sources of polluting the environment but also their smoke is injurious for living beings. Construction and material is one of the largest sub-sectors of manufacturing sector and their operations are also extensively involved in environmental, community and labor issues. Moreover, Oil and Gas and industrial Metal and Mining sectors are also involved in such type of activities that demand more focus on CSR behavior

from them. Therefore, the above mentioned sectors need to invest more in CSR and involve themselves in performing social activities in order to improve their image in general community.

Appropriate Model Estimation

In order to identify the optimum panel data model, a three step standardized procedure is required.

First step is to determine between the selection of the fixed effect model and the ordinary least squares method. For this purpose F-test is employed. This test provides the verification about whether there exists equality between the intercepts of fixed effect model or not.

The second step is to determine between the selection of the random effect model and the ordinary least squares method. In order to identify whether intercepts possess the characteristics of random variable or not. For this verification Lagrange Multiplier (LM) test is employed.

After deciding that fixed effect models and the random effect models are more appropriate than ordinary least squares method which is confirmed through F-test and the LM-test, next step is to decide between the selection of the fixed effect model and random effect model. The relationship between the random intercepts and the explanatory variables suggests whether fixed effect or random effect model is appropriate.

Empirical Models of Study

Model 1

$$ROA_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Model 2

$$ROE_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Model 3

$$EPS_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Model 4

$$GT_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Model 5

$$PE_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Model 6

$$TOBQ_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 LVRG_{it} + \beta_3 SIZE_{it} + \beta_4 RISK_{it} + \beta_5 AG_{it}\ \varepsilon_{it}$$

Selected Variables of Study

Dependant Variable

Financial Performance: A number of researchers have used both types (accounting based and market based) of financial performance measures in order to control any potential measurement weakness (Mishra & Suar, 2010; Seifert, et al., 2003).

Most commonly used proxies for accounting based firm performance are Return on Assets (ROA) and Return on Equity (ROE) (Ehsan & Kaleem, 2012; Kang, et al., 2010; Roberts & Dowling, 2002; Waddock & Graves, 1997), earnings per share (EPS) (Moore, 2001; Orlitzky, et al., 2003) and growth whether in terms of turnover or sales (Moore, 2001; Ruf, Muralidhar, Brown, Janney, & Paul, 2001). On the other hand, large number of existing literature supports the market measures as better measure of financial performance of firms (Schnietz & Epstein, 2005; Scholtens, 2008; Soana, 2011). Extensively used market based proxies of financial performance in the existing studies are Tobin's q and price to earnings ratio PE (Kang, et al., 2010; McGuire, et al., 1988; Rao, Agarwal, & Dahlhoff, 2004; Soana, 2011).

Accounting Based or Short Term Measure of Financial Performance:

ROA = Earnings before tax/Total Assets
ROE = Earnings before tax/Number of Common Shares Outstanding
EPS = Earnings per Share before Tax
GT = Percent Change in Sales from one year = $(Sales_t – Sales_{t-1}) / Sales_{t-1}$

Market Based or Long Term Measure of Financial Performance

PE = Market Price per Share/ Earnings before Tax per Share
Tobin's q = Market Value of Firm / Book Value of Assets

Table 2: Summary of Variables

Symbol	Variable Description	Proxy
CSR	Donations+WWF/Earnings before Tax	Corporate Social Responsibility
ROA	Earnings before tax/Total Assets	Return on Assets
ROE	Earnings before Tax/ Number of Common Shares Outstanding	Return on Equity
EPS	Earnings per Share before Tax	Earnings per Share
GT	$(Sales_t – Sales_{t-1}) / Sales_{t-1}$	Growth
PE	Market Price per Share/Earnings before Tax per Share	Price to Earning
TOBQ	Ratio of a firm's market value to book value of the firm's assets	Tobin's q
LOTA	Log of Total Assets	Size
LOTS	Log of Total Sales	Size
LVRG	Long term debt/ Total assets	Leverage
AG	Number of Year after Incorporation to Date	Age
Risk	$\sigma^{i.m} * r^{i.m} / \sigma^{2m}$	Beta

Explanatory Variable

Corporate Social Responsibility: In the present research, 'CSR disclosure' approach has been followed in which the information regarding CSR is extracted from financial annual reports that have been made public by respective corporations. Guthrie and Mathews (1985) defined Corporate Social Disclosures as the provision of information about financial and non financial corporate activities, and matters made public by the organization. Number of researchers used the social disclosures of companies reported in their Annual Reports for the as a proxy for the measurement of CSR (Guthrie, Petty, Yongvanich, & Ricceri, 2004; Itkonen, 2003). Annuals reports are the most commonly used and read of any corporate document that is issued by the business corporations; therefore the information provided in them has a strong impact on readers (Deegan & Rankin, 1997). Moreover, they are the most reliable source of information as every registered company is required to issue its annual report which makes them readily available and most accessible medium (Gray, Kouhy, & Lavers, 1995). There are many companies who issued CSR reports but if they are not published in the annual reports then they are not expected to be read by large viewers(Adams & Harte, 1998). Guthrie et al (2004) argued that annual reports are the highly useful resource of information about the companies because their managers used them for signaling as what is benefit through repotting mechanism. Annual reports are not only the reliable and widely used source of information about corporation but also found to be the most 'common medium' for CSR disclosure as well (Tilt, 1994). It is very difficult to gather information on CSR from all the sources issued by a firm. Thus, if a study used all documents in which CSR information is reported

and some of them are missed then it may cause accuracy problem in CSR score and further in its measurement (Guthrie, et al., 2004).

Since CSR is a multifaceted construct as different dimensions are used for its measurement. In case of Pakistan, there is problem regarding the data of CSR as it at nascent stages and there are no strict rules and penalties from the regulatory authorities regarding the CSR reporting and disclosing proper information on it. Therefore, Pakistani companies do not compliance fully with SECP rules on CSR disclosure and provide little information about their CSR activities. Present study used two dimensions 'donations' and 'employee welfare fund' for the measurement of CSR and used as a proxy for CSR because the data of these two dimensions are properly available in the annual reports of Pakistani firms.

In case of Pakistan almost all companies report their various social activities and concerns like (Charity, Aids, Environment protected projects, Education, Hospitals/health providing services, Community/societal betterment programs) under the head of 'donations' and data is available in their audited financial annual reports. Moreover, under the Companies Ordinance 1984, in compliance with part III, E-1 of schedule 4; Securities and Exchange Commission of Pakistan (SECP) as a regulator made it requirement for all listed companies to inform about their spending on corporate donations in the profit & loss accounts. Existing literature on CSR and FP relationship show that there are large numbers of studies used donations as a proxy for CSR such as (Coffey & Fryxell, 1991; Lin, et al., 2009; Makki & Lodhi, 2008; Seifert, et al., 2003). Researchers argue that the primary source of CSR are the corporate donations as millions of dollars are donated by thousands of businesses each year for different charitable causes like promotion of education, science, medicine, art and culture, societal wellbeing, serving humanity, protection of environment and many others (Seifert, Morris, & Bartkus, 2004).Taking good care of employees and labor is another dimension that is extensively used for CSR (Muller & Kolk, 2010). Almost every study on CSR used this proxy (see Cox, Brammer, & Millington, 2004; Muller & Kolk, 2010; Scholtens, 2008). Under the Worker's Welfare Fund Ordinance (WWF) 1971, companies should participate and disclose their amounts of spending toward worker welfare in their annual reports. The basic motivation behind the establishment of Workers Welfare fund is to provide the residential accommodation to employees, provide better health and education and other facilities related to workers' welfare and for other employees' related issues such as incidental. Hence, WWF should be taken into account while measuring CSR as it is an important element that contributes effectively towards the social responsive behavior of corporations. Thus, following the work of Zairi and Peters (2002), Lin et al (2009) and Makki and Lodhi (2008) present study used donations as partial measure of CSR. However, an addition is made by introducing employee perspective of CSR in the form of worker's welfare fund. Thus a combined construct of CSR has been established on the basis of following method.

CSR = Donations + Worker's Welfare Fund / Earnings before Tax

Control Variables

Researchers have reported that control variables affect the CSR and FP relationship and there is need to control their effects while studying this relationship. Although different researchers used different control variables in their studies; however extensively used are leverage, firm size, industry, risk and age (Ehsan, Kaleem, & Anwar, 2013; Ehsan, Kaleem, & Jabeen, 2012).

Size: There are commonly three methods found in the literature to measure size; company total assets, sales and number of employees (Ehsan & Kaleem, 2012; Neubaum & Zahra, 2006). We measure size as Log of total assets (LOTA) and Log of total sales (LOTS).

Leverage: In this study financial leverage has been taken as Long Term Debt / Book Value of Total Assets

Risk: In the literature we found both the positive and negative relationship with CSR and risk (Brown & Perry, 1994; Campbell, 2006; Spar & La Mure, 2003; Trotman & Bradley, 1981). We used beta as measure of risk and rather than perceived calculations of beta this study calculated the beta with the actual amounts.

Age: Total number of year after incorporation is taken as a proxy for age of the firm in this study.

Empirical Results

Correlation Matrix

Table 3: Correlation between Accounting (Short term) measures of financial performance and Corporate Social Responsibility

Sr. No.	Variable	1	2	3	4	5	6	7	8	9	10
1	CSR	1	.276**	.267**	.225**	.012	-.095	.020	-.276**	.131*	.069
2	ROA		1	.447**	.432**	.147*	.159*	.229**	-.309**	-.043	.043
3	ROE			1	.507**	.200**	.132*	.314**	-.301**	-.041	.019
4	EPS				1	.154*	.051	.363**	-.281**	-.049	.028
5	GT					1	.021	.072	.064	-.106	-.162*
6	LOTA						1	.445**	.148*	-.077	.067
7	LOTS							1	.010	-.079	.009
8	LVRG								1	-.003	.001
9	Risk									1	.000
10	Age										1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3 reports the Pearson's correlation between accounting (short term) measures of FP and CSR with control variables. It is reported that CSR is found to have significant (at 0.01 levels) and positive association with all the measures of accounting performance except GT and resulted between CSR and ROA (.276), CSR and ROE (.267) and CSR and EPS (.225).

The correlation coefficient is positive between CSR and risk (.131) and significant at (p <.05) significance level. Significant negative correlation is encountered between CSR and leverage (-.276) significant at (p < .001) level. The negative association refers that the leverage forbids the firms from overinvestment in the social welfare projects. Correlations of CSR with firm growth, log of Total assets, log of sales and age are insignificant.

Table-4 represents the Pearson's correlation results between CSR, Market measures and control variables. CSR is positively and highly significantly correlated with PE (.464, p < .01). It means if firm's market performance improves then it is more willing to invest in social activities and vice versa. PE is positively and significantly correlated with Tobin's Q (.214, p < .01) and Beta (.203, p < .01) Similarly CSR is positively and significantly related to risk (.131, p < .05) which indicates that companies used CSR as source of reducing risk and take it as a proactive strategy to

save them from any contingency. There is a negative and significant correlation between CSR and leverage (-.276, $p < .01$) which is in line with our expected relationship. Inverse relationship between CSR and leverage indicates that highly leveraged companies are least willing to invest in CSR. Moreover SCR has insignificant bivariate correlations with Tobin's q, size, LOS and age.

Table 4: Correlation between Marketing (Long Term) measures of financial performance and Corporate Social Responsibility

Sr. No.	Variable	1	2	3	4	5	6	7	8
1	CSR	1	.464**	.060	-.276**	-.095	.020	.131*	.069
2	PE		1	.214**	-.277**	-.118	-.007	.203**	.053
3	TOBQ			1	-.163*	-.228**	.050	-.064	.023
4	LVRG				1	.148*	.010	-.003	.001
5	LOTA					1	.445**	-.077	.067
6	LOTS						1	-.079	.009
7	Risk							1	.000
8	AG								1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Appropriate Panel Data Model Identification

As our data is panel therefore we used the panel regression (Generalized least square regression) and we identify it after performing series of appropriate tests. First of all F-test is performed to decide between the fixed effect and ordinary least square method. The results of F-test are significant and verified that Fixed effect model is more appropriate as compared to the ordinary least square method as all models reject the null hypothesis. In the next step LM-test (Lagrange Multiplier test) is performed to decide whether Random Effect model is superior or ordinary least square method is right for our model. The results of LM-test are significant for all models (1,2,3,4,5,6) and reject the underlying hypothesis. Thus, result of this test proved that Random effect model is more appropriate as compared to the ordinary least square method. Empirical results of both the F-test and LM-test proved that the fixed effect and random effect models are more applicable for our data type as compared to the ordinary least square method. Next step is to identify weather fixed effect is appropriate or random effect model is suitable. For this purpose Hausman test is applied to select the right model. The results of Hausman test of all the models (1,2,3,4,5,6) are not significant and showed that random effect model and Generalized Least Square Regression is best suitable for further empirical analysis. The results of F-test, LM-test and Hausman-test are summarized in table 5.

Table 5: Selection of Appropriate Panel Data Model Type

	F-test	LM-test	Hausman-test
Model 1	5.51* * *	18,67* * *	30.74
Model 2	4.62* * *	18.17* * *	25.88
Model 3	5.28* * *	16.54* * *	32.10
Model 4	4.10* *	12.44* * *	18.21
Model 5	6.91* * *	14.62* * *	26.69
Model 6	3.67* *	8.14* * *	15.61

Significant at the *0.1, * *0.05 and * * *0.01 levels, respectively

Generalized Least Square Regression Results

Table 6: GLS Regression Results Using Accounting Measures as Financial Performance

Dependant Variable	**Model-1**	**Model-2**	**Model-3**	**Model-4**
	ROA	**ROE**	**EPS**	**FG**
Explanatory Variable				
CSR	(3.91)***	(3.87)***	(2.68) **	(0.90)
	[0.177]	[0.175]	[0.105]	[0.124]
Control Variables				
Leverage	(-2.13)***	(-1.80)**	(-1.71) **	(1.18)
	[-0.109]	[-0.154]	[-0.079]	[0.158]
Size (Log of Total Assets)	(0.10)	(0.23)	(2.18) **	(0.29)
	[0.132]	[0.536]	[2.851]	[0.875]
Size (Log of Total Sales)	(2.18) **	(2.84)**	(2.34) **	(3.24)***
	[1.259]	[2.97]	[1.21]	[0.58]
Risk	(-0.01)	(-0.14)	(-0.05)	(-1.33)+
	[-0.002]	[-0.064]	[-.011]	[-1.171]
Age	(0.85)	(0.10)	(0.04)	(2.16)*
	[0.034]	[0.007]	[0.001]	[0.304]
Year Dummy	Yes	Yes	Yes	Yes
Industry Dummy	No	No	No	No
R^2	0.392	0.354	0.283	0.184
Wald-Chi-Square	85.65***	67.51***	63.49***	41.69**
$P(x^2)$	0.0000	0.0000	0.0000	0.0014
Panel Data Model	Random	Random	Random	Random
Hausman Test	30.74	25.88	32.10	18.21
Durbin Watson	1.54	1.62	1.99	2.12

+p < 0.10; *p < 0.05; **p < 0.01; ***p < 0.001
Values inside the small parentheses are z-values
Values inside the large parentheses are beta coefficients
$P(x^2)$ indicate the significance level of Wald-Chi Square

The empirical results of table 6 and 7 showed that in all the models CSR has a positive impact on FP measures both accounting and market. These findings give a strong indication that there is a positive impact of CSR on financial performance of firms and supported the stakeholder theory hypothesis. Thus, these results are aligned with the assumptions of stakeholder theory which assumed that responsibility of the organization's management now goes beyond the profitability and they must consider the social affairs in their decisions because firm's responsibility is not only to satisfy the shareholders but to consider and satisfy all types of stakeholders. Stake holders like societal groups, consumers, suppliers, socially conscious share holders, regulatory authorities, Governments in recent times have emphasized and induced organizations be socially responsible and make investments in this regards (Freeman, 1984; Ruf, et al., 2001).

The overall results reported in the table 6 showed the results of the Generalized Least Square regression analysis using the accounting measures of financial performance as dependant variables, ROA, ROE, EPS and GT and corporate social responsibility as the independent variable, while controlling for corporate debt (leverage), size (measured in two ways) first is log of total assets and second is log of total sales, risk and age of a particular firm.

There are four models in this table. Table 6 presents the regression result using ROA as a dependent variable with different control variables (leverage, size (LOTA, LOTS), risk and age) in model 1. In model-2 ROE is replaced by the ROA, however results remain are highly significant for ROE and CSR link significant at the $p < 0.001$ level. The results are less strong, but still significant at $p < 0.001$ and $p < 0.01$ when EPS is used as a financial proxy in model-3. These results supported our third hypothesis and proved that CSR has a positive impact on the short term financial performance of firms at $p < 0.001$ and $p < 0.01$ for all the models. The findings of this study implied that, due to the positive relationship between CSR and FP companies can improve their revenues remarkably after improving their integration of social activities like creation of employment, better relations with their suppliers, central and local governments, distributors and community. These finding are consistent with the findings of many previous studies that found the positive relationship between CSR and accounting measure of FP (Bird, Hall, Momentè, & Reggiani, 2007; Joyner & Payne, 2002; Lin, et al., 2009; Maignan, et al., 2001; Makki & Lodhi, 2008; Parket & Eilbirt, 1975; Waddock & Graves, 1997).

Moreover, table-7 showed the results of regression analysis considering Market financial performance variables (Tobin's q and PE) as dependent variable and CSR is treated as independent variable controlling for leverage, size (Log of total assets), size (Log of total sales) , risk and age. Results showed that CSR has a positive impact on price to earnings ratio of firms and tobin;s q. According to these results there is a positive impact of CSR on long term (market) measures of financial performance as well and supported the fourth hypothesis of this study according to which CSR not only helps the firms in achieving the short term targets but also helps them in achieving the long term sustainable financial performance. Though coefficients of market (long term) measures of financial performance are weaker as compared to the accounting (short term) results but still there is a positive relationship between CSR and long term financial performance of firms.

A large body of researchers found the positive relationship between market measures of financial performance and CSR (Jones & Murrell, 2001; Kang, et al., 2010; Luo & Bhattacharya, 2006). Schnietz & Epstein (2005) also supported the positive FP (market measures) and CSR link and asserted that during the period of crisis or in case of any exogenous shock that has the potential to harm the firm value good CSR reputations of the firm in the market act as an insulator for financial performance of a firm.

These social contributions to societal betterment are in fact effective for businesses themselves in the long run. CSR improves not only the profitability of a firm but also enhances its social value in the market that helps to attract more customers (Peinado-Vara, 2006). Companies can also gain competitive advantage and improve their reputation by catering the low-income markets as it helps the corporations to improve their relations with government as well as communities which in turn grant the license to operate peacefully through reducing the potential conflicts with these stakeholders. A large body of researchers found the positive relationship between market measures of financial performance and CSR (Jones & Murrell, 2001; Kang, et al., 2010; Luo & Bhattacharya, 2006). Schnietz & Epstein (2005) also supported the positive FP (market measures) and CSR link and asserted that during the period of crisis or in case of any exogenous shock that has the potential to harm the firm value good CSR reputations of the firm in the market act as an insulator for financial performance of a firm.

Table 7: GLS Regression Results Using Market Measures as Financial Performance

Dependant Variable	**Model-4**	**Model-5**
	PE	**TOBQ**
Explanatory Variables		
CSR	(1.98)*	(1.82)*
	[0.019]	[0.013]
Control Variables		
Leverage	(-1.17)*	(-2.51)**
	[-0.012]	[-0.101]
Size (Log of Total Assets)	(1.19)	(3.20)**
	[0.080]	[0.197]
Size (Log of Total Sales)	(2.70)**	(0.59)
	[0.072]	[0.015]
Risk	(-2.33)**	(-0.86)
	[-0.026]	[-0.009]
Age	(0.77)	(0.55)
	[0.001]	[0.001]
Year Dummy	Yes	Yes
Industry Dummy	No	No
R^2	0.184	0.111
Wald-Chi-Square	60.23***	40.49***
$P(x^2)$	0.0000	0.0000
Panel Data Model	Random	Random
Hausman Test	26.69	15.61
Durbin Watson	1.60	1.85

+p < 0.10; *p < 0.05; **p < 0.01; ***p < 0.001
Values inside the small parentheses are z-values
Values inside the large parentheses are beta coefficients
$P(x^2)$ indicate the significance level of Wald-Chi Square

In case of control variables, results reveal that corporate debt and both proxies of size (log of total assets and log of total sales) is significantly affecting the accounting profitability of the firm while risk and age of the firm is insignificantly related to financial performance of firm. However, results strongly proved the negative effect of corporate debt on the financial performance of corporations. The negative relationship between debt level of a firm and its financial performance confirms the assumption of Pecking Order Theory (Myers & Majluf, 1984). According to this theory firms preferred to employ internal source of financing which are retained earnings rather than getting debt from creditors and if more funds are required then they go for issuing external equity. The findings of this study also confirms this notion and consistent with the findings of previous studies like (Hijazi & Tariq, 2006; Rafiq, Iqbal, & Atiq, 2008). In addition to this, profitable firms are reluctant in taking loan in case of inefficient markets due to the risk of disciplinary role of debt which also predicts the negative relationship between leverage and profitability (Shah and khan, 2007). Moreover, Results of present study proved the positive and significant impact of size of a firm on its financial performance.

Conclusion and Policy Implications

In order to evaluate the impact of CSR on FP more precisely, current research used both the accounting and market based measures of financial performance and cover both the short term and long term effects of CSR on financial performance. Accounting performance proxies are ROA, ROE EPS and growth in sales. While market based proxies are Tobin's Q and price to earnings ratio PE. The findings of this study suggested the positive impact of CSR on financial performance and supported the stakeholder theory arguments. These results concluded that organizations must look forward beyond their economic activities in order to achieve sustainable development and established good relations with all related stakeholders. Thus, corporate management should be very selective and cautious in their social programs and make sure that their communications create the connection between the social domain, stakeholders and the firm. In this way their various stakeholders perceive these programs as proactive and in a socially motivated. Otherwise, market itself punished those firms in terms of their future performance that failed to achieve the minimum social standard due to their bad reputation in the market and business world. However, at the same time the firms that exceed the minimum social standards especially in their relations with their employees reaped the greatest market rewards which explain the positive relationship between CSR and FP.

Moreover, empirical results also supported the third and fourth hypotheses of this study which asserted that CSR has not only positive impact on the short term but also on the long term financial performance of firms. These positive findings between CSR and FP suggested that the growth in socially conscientious investments lead the firms towards financial success proactively by balancing the short-term financial objectives with long-term sustainable corporate image in the market. Therefore, taking CSR as a source of competitive advantage large numbers of organizations started to show their concern remarkably for social initiatives while taking various corporate decisions in the highly competitive environment. Results also concluded that corporate social behavior and matters are very critical and important for firms in order to achieve long term success similarly like other market aspects and factors. As the society is now expecting human values rather than reciprocal fruitful relationship from corporate world. Furthermore, CSR now become the efficient and successful instrument in marketing and a positive business strategy that helps the companies to achieve and maintain competitive edge over their competitor. Companies should move from ''doing well'' to ''doing better'' and even more now they need ''doing best'' in order to survive in this highly competitive environment. For doing best they need to establish the strategies and perform the activities beyond the financial interest only and need to incorporate societal and moral strategies and activities. Moreover, socially responsible companies have an enhanced brand image and a positive reputation among consumers, have a low level of risk of negative events and have fewer chances of bribery and corruption due to good relations with their employees and other stakeholders which are the source of competitive advantage over their competitors and lead them to profitability.

On the basis of the results, this study draws the important implications for developing economies. As in case of developing economies, only the government cannot resolve all of the social problems due to its limited resources; thus needs help from business sectors to address such issues. Especially Pakistan is standing among those countries where governments do not have enough resources to manage all social concerns and failed to provide the basic necessities of life. In this situation CSR considers as an important tool to overcome these issues and leading whole society towards social and economic betterment. CSR is not beneficial for society as a whole but it also prevents the firms from the negative confrontations like boycotts, complaints, objections, and protests etc of their different classes of internal and external stakeholders through satisfying their

social demands. In order to achieve the confidence of the potential stakeholders, managers should need to develop sound CSR strategies and consider the social perspectives while taking various corporate decisions. Similarly, Government Regulatory authorities like SECP (Securities and Exchange Commission of Pakistan) should also need to establish transparent CSR reporting system and make it obligatory for every organization.

However, there are several limitations of this study. Firstly, this study focuses only on that data which is reported in the financial annual reports of the companies. Although there are certain other mass communication resources like companies web-sites, in-house magazines and newspapers in which firms disclosed their CSR information. Thus, in order to catch full information about CSR activities of firms in more comprehensive way future studies may also consider above mentioned Medias as well. Secondly, in the present study combined construct of CSR is used due to the lack of availability of data about the different dimensions of CSR. In order to investigate the CSR and FP relationship more precisely future studies should measure the various dimensions of CSR individually and check the relationship of each measure of CSR on FP separately.

References

Adams, C. A., & Harte, G. (1998). The changing portrayal of the employment of women in British banks' and retail companies' corporate annual reports. *Accounting, Organizations and Society, 23*(8), 781-812.

Atkinson, L., & Galaskiewicz, J. (1988). Stock ownership and company contributions to charity. *Administrative science quarterly, 33*(1), 82-100.

Barnett, M. L., & Salomon, R. M. (2006). Beyond dichotomy: The curvilinear relationship between social responsibility and financial performance. *Strategic management journal, 27*(11), 1101-1122.

Bird, R., Hall, A. D., Momentè, F., & Reggiani, F. (2007). What corporate social responsibility activities are valued by the market? *Journal of Business Ethics, 76*(2), 189-206.

Brammer, S., Brooks, C., & Pavelin, S. (2006). Corporate social performance and stock returns: UK evidence from disaggregate measures. *Financial Management, 35*(3), 97-116.

Brine, M., Brown, R., & Hackett, G. (2007). Corporate social responsibility and financial performance in the Australian context. *Economic Round-up*(Autumn 2007), 47-58.

Brown, B., & Perry, S. (1994). Removing the financial performance halo from Fortune's “Most Admired” companies. *Academy of Management Journal, 37*(5), 1347-1359.

Campbell, J. L. (2006). Institutional analysis and the paradox of corporate social responsibility. *American Behavioral Scientist, 49*(7), 925-938.

Chen, H., & Wang, X. (2011). Corporate social responsibility and corporate financial performance in China: an empirical research from Chinese firms. *Corporate Governance, 11*(4), 361-370.

Coffey, B. S., & Fryxell, G. E. (1991). Institutional ownership of stock and dimensions of corporate social performance: An empirical examination. *Journal of Business Ethics, 10*(6), 437-444.

Cox, P., Brammer, S., & Millington, A. (2004). An empirical examination of institutional investor preferences for corporate social performance. *Journal of Business Ethics, 52*(1), 27-43.

Deegan, C., & Rankin, M. (1997). The materiality of environmental information to users of annual reports. *Accounting, Auditing & Accountability Journal, 10*(4), 562-583.

Drumwright, M. E. (1994). Socially responsible organizational buying: environmental concern as a noneconomic buying criterion. *The Journal of Marketing, 58*(3), 1-19.

Ehsan, S., & Kaleem, A. (2012). An Empirical investigation of the relationship between Corporate Social Responsibility and Financial Performance (Evidence from Manufacturing Sector of Pakistan). *Journal of Basic and Applied Scientific Research, 2*(3), 2909-2922.

Ehsan, S., Kaleem, A., & Anwar, S. (2013). Insider Stock Ownership Concentration and Corporate Socail Responsibility: A Case From Manufacturing Sector Of Pakistan. *Sci.Int(Lahore), 25*(3), 667-672.

Ehsan, S., Kaleem, A., & Jabeen, S. (2012). Exploring the interaction between Financial Performance and Corporate Social Responsibility in Pakistani Firms. *Journal of Basic and Applied Scientific Research, 2*(10), 10431-10439.

Fama, E. F. (1980). Agency Problems and the Theory of the Firm. *The Journal of Political Economy, 88*(2), 288-307.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of law and economics, 26*(2), 301-325.

Fiori, G., Di Donato, F., & Izzo, M. F. (2007). Corporate Social Responsibility and Firms Performance-An Analysis on Italian Listed Companies. *Available at SSRN 1032851*.

Freeman, R. E. (1984). *Strategic Management: A stakeholder approach. Boston*: Pitman Publishing.

Friedman, M. (1970). *The social responsibility of business is to increase its profits*: New York Times Magazine (September 13).

Galaskiewicz, J. (1997). An urban grants economy revisited: Corporate charitable contributions in the Twin Cities, 1979-81, 1987-89. *Administrative science quarterly, 42*(3), 445-471.

Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal, 8*(2), 47-77.

Griffin, J. J., & Mahon, J. F. (1997). The corporate social performance and corporate financial performance debate twenty-five years of incomparable research. *Business & Society, 36*(1), 5-31.

Guthrie, J., & Mathews, M. (1985). Corporate social accounting in Australasia. *Research in corporate social performance and policy, 7*(1), 251-277.

Guthrie, J., Petty, R., Yongvanich, K., & Ricceri, F. (2004). Using content analysis as a research method to inquire into intellectual capital reporting. *Journal of intellectual capital, 5*(2), 282-293.

Haley, U. C. (1991). Corporate Contributions As Managerial Masques: Reframing Corporate Contributions As Strategies to Influence Society*. *Journal of Management Studies, 28*(5), 485-510.

Hijazi, S., & Tariq, Y. (2006). Determinants of capital structure: A case for Pakistani cement industry. *Lahore Journal of Economics, 11*(1), 63-80.

Itkonen, L. (2003). Corporate social responsibility and financial performance. *Hilsinki: Institute of Strategy and International Business*.

Jamali, D. (2008). A stakeholder approach to corporate social responsibility: A fresh perspective into theory and practice. *Journal of Business Ethics, 82*(1), 213-231.

Jensen, M. (2001). Value maximisation, stakeholder theory, and the corporate objective function. *European Financial Management, 7*(3), 297-317.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics, 3*(4), 305-360.

Jones, R., & Murrell, A. J. (2001). Signaling Positive Corporate Social Performance An Event Study of Family-Friendly Firms. *Business & Society, 40*(1), 59-78.

Joyner, B. E., & Payne, D. (2002). Evolution and implementation: a study of values, business ethics and corporate social responsibility. *Journal of Business Ethics, 41*(4), 297-311.

Kang, K. H., Lee, S., & Huh, C. (2010). Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry. *International Journal of Hospitality Management, 29*(1), 72-82.

Lin, C.-H., Yang, H.-L., & Liou, D.-Y. (2009). The impact of corporate social responsibility on financial performance: Evidence from business in Taiwan. *Technology in Society, 31*(1), 56-63.

Luo, X., & Bhattacharya, C. B. (2006). Corporate social responsibility, customer satisfaction, and market value. *Journal of marketing, 70*(4), 1-18.

Maignan, I., Ferrell, O. C., & Hult, G. T. M. (2001). Corporate citizenship: cultural antecedents and business benefits. *Journal of the Academy of Marketing Science, 27*(4), 455-469.

Makki, M. A. M., & Lodhi, S. A. (2008). Determinants of corporate philanthropy in Pakistan. *Pakistan Journal of Commerce and Social Sciences, 1*(1), 17-24.

McGuire, J. B., Sundgren, A., & Schneeweis, T. (1988). Corporate social responsibility and firm financial performance. *Academy of management Journal, 31*(4), 854-872.

McVea, J. F., & Freeman, R. E. (2005). A Names-and-faces approach to stakeholder management how focusing on stakeholders as individuals can bring ethics and entrepreneurial strategy together. *Journal of Management Inquiry, 14*(1), 57-69.

Mishra, S., & Suar, D. (2010). Does corporate social responsibility influence firm performance of Indian companies? *Journal of Business Ethics, 95*(4), 571-601.

Montabon, F., Sroufe, R., & Narasimhan, R. (2007). An examination of corporate reporting, environmental management practices and firm performance. *Journal of Operations Management, 25*(5), 998-1014.

Moore, G. (2001). Corporate social and financial performance: an investigation in the UK supermarket industry. *Journal of Business Ethics, 34*(3-4), 299-315.

Muller, A., & Kolk, A. (2010). Extrinsic and intrinsic drivers of corporate social performance: evidence from foreign and domestic firms in Mexico. *Journal of Management Studies, 47*(1), 1-26.

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of financial economics, 13*(2), 187-221.

Neubaum, D. O., & Zahra, S. A. (2006). Institutional ownership and corporate social performance: The moderating effects of investment horizon, activism, and coordination. *Journal of Management, 32*(1), 108-131.

Ngwakwe, C. C. (2009). Environmental responsibility and firm performance: evidence from Nigeria. *International Journal of Humanities and Social Sciences, 3*(2), 97-103.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization studies, 24*(3), 403-441.

Ortiz Martinez, E., & Crowther, D. (2005). Corporate social responsibility creates an environment for business success. *Representations of social responsibility, 1*, 125-140.

Parket, I. R., & Eilbirt, H. (1975). The practice of business social responsibility: the underlying factors. *Business Horizons, 18*(4), 5-10.

Peinado-Vara, E. (2006). Corporate social responsibility in Latin America. *Journal of Corporate Citizenship, Spring 2006*(21), 61-69.

Rafiq, M., Iqbal, A., & Atiq, M. (2008). The determinants of capital structure of the chemical industry in Pakistan. *The Lahore Journal of Economics, 13*(1), 139-158.

Rao, V. R., Agarwal, M. K., & Dahlhoff, D. (2004). How is manifest branding strategy related to the intangible value of a corporation? *Journal of marketing, 68*(4), 126-141.

Roberts, P. W., & Dowling, G. R. (2002). Corporate reputation and sustained superior financial performance. *Strategic management journal, 23*(12), 1077-1093.

Ruf, B. M., Muralidhar, K., Brown, R. M., Janney, J. J., & Paul, K. (2001). An empirical investigation of the relationship between change in corporate social performance and financial performance: a stakeholder theory perspective. *Journal of Business Ethics, 32*(2), 143-156.

Schnietz, K. E., & Epstein, M. J. (2005). Exploring the financial value of a reputation for corporate social responsibility during a crisis. *Corporate Reputation Review, 7*(4), 327-345.

Scholtens, B. (2008). A note on the interaction between corporate social responsibility and financial performance. *Ecological economics, 68*(1), 46-55.

Seifert, B., Morris, S. A., & Bartkus, B. R. (2003). Comparing big givers and small givers: Financial correlates of corporate philanthropy. *Journal of Business Ethics, 45*(3), 195-211.

Seifert, B., Morris, S. A., & Bartkus, B. R. (2004). Having, giving, and getting: Slack resources, corporate philanthropy, and firm financial performance. *Business & Society, 43*(2), 135-161.

Soana, M.-G. (2011). The relationship between corporate social performance and corporate financial performance in the banking sector. *Journal of Business Ethics, 104*(1), 133-148.

Spar, D. L., & La Mure, L. T. (2003). The power of activism. *California Management Review, 45*(3), 78-101.

Stroup, M. A., & Neubert, R. L. (1987). The evolution of social responsibility. *Business Horizons, 30*(2), 22-24.

Sun, L. (2012). Further evidence on the association between corporate social responsibility and financial performance. *International Journal of Law and Management, 54*(6), 472-484.

Tilt, C. A. (1994). The influence of external pressure groups on corporate social disclosure: some empirical evidence. *Accounting, Auditing & Accountability Journal, 7*(4), 47-72.

Trotman, K. T., & Bradley, G. W. (1981). Associations between social responsibility disclosure and characteristics of companies. *Accounting, Organizations and Society, 6*(4), 355-362.

Ullmann, A. A. (1985). Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *Academy of Management Review, 10*(3), 540-557.

United Nations Development Programme. (2006). *Uzbekistan Human Development Report*: UNDP.

Waddock, S. A., & Graves, S. B. (1997). The corporate social performance. *Strategic management journal, 8*(4), 303-319.

Yamak, S., & Süer, Ö. (2005). State as a stakeholder. *Corporate Governance, 5*(2), 111-120.

Zairi, M., & Peters, J. (2002). The impact of social responsibility on business performance. *Managerial Auditing Journal, 17*(4), 174-178.

Zhang, L. J. (2008). The shareholders' mutual governance mechanism of enterprises design. *Journal of Zhongnan University of Economics and Law, 132*(1), 38-41.